

A meeting of the State Lands Commission was held in the office of the State Lands Commission, Room 302 California State Building, Los Angeles, August 28, 1941, at 10:00 A. M.

Present were:

George Killion, Chairman
Harry B. Riley, Member

Absent was:

Ellis E. Patterson, Member

Minutes of the meetings of July 24 and 25, 1941, were, upon motion of Mr. Riley, seconded by Mr. Killion, unanimously approved and confirmed as submitted.

Upon motion of Mr. Riley, seconded by Mr. Killion, a resolution authorizing, approving and confirming the following acts and matters was adopted:

1. Pursuant to a resolution adopted at the last meeting of the Commission, a notice of cancellation of State Oil and Gas Lease No. 82 was delivered to the Rincon Oil Company. Prior to the expiration of the grace period provided in the lease, the lessee caused to be issued and served a temporary restraining order prohibiting the cancellation of the lease until a determination could be made by the court. On service of this order the matter was referred to the office of the Attorney General. It is set for hearing September 15, 1941.

2. Following the last Commission meeting, a letter was written to the office of the Attorney General requesting opinions concerning the validity of the so-called "May 1 rule" and to the feasibility of instituting actions to collect royalties retroactively and subsequent to the date of its adoption. No opinion has yet been received from the Attorney General. Representatives of the Huntington Beach Townsite Association, however, appeared before the Commission contending that the rule is unreasonable and requested that the Commission waive any claim which may result because of the application of the rule. After consideration, it was unanimously decided that the Commission would not attempt to enforce retroactive application of the rule prior to the date of its adoption and that no determination should be made regarding possible claims accruing after the date of the rule's adoption until the above opinion is received from the office of the Attorney General. A like decision was reached in connection with the application of Messrs. Schwab and Marion regarding the application of said rule to Agreement for Easement No. 300, Huntington Beach. Upon petition of these last named individuals, the substitution of Mr. Marion for the present lessee under that easement was approved upon condition that appropriate papers relating to such substitution should be filed.

3. The eighth revision of allotment to State's land under the provisions of Agreement for Easement No. 415, Rio Vista, was approved. The ninth and tenth revisions, however, were considered not acceptable and approval thereof was deferred pending further consideration.

4. It was determined that the cost of an audit to establish the amount the State may recover for the approximate ten percent of the gas produced from the McDonald Field and sold by Standard Oil Company at $3\frac{1}{2}$ cents per m.c.f. is not warranted in that such amount as may be recovered would not appear to greatly exceed the cost of the necessary periodic audits.

5. Inasmuch as the Amerada Petroleum Corporation has agreed to deliver its charts to the Commission's representative at Rio Vista, it was decided that the question of installing gas meters at Rio Vista needs no further consideration.

6. As the well "S. & R." No. 1 described in Agreement for Easement No. 296, Huntington Beach, has been unproductive since July 11, 1941, and well "Lide" described in Agreement for Easement No. 325, Huntington Beach, has been unproductive since June 25, 1941, the Commission issued instructions that a notice of cancellation be served on each of the lessees.

7. The offer of the Southwest Exploration Company to pay to the State, in addition to the royalty heretofore paid, the sum of \$1,873.77 or approximately 7 cents per m.c.f. for the fifty percent of the gas retained by Standard Oil Company to and including July 31, 1941, and 7 cents per m.c.f. for the fifty percent of the gas retained by Standard to and including November 30, 1941, under Agreement for Easement No. 392, Huntington Beach, was accepted.

8. The Extension of the contract between Standard Oil Company and Pacific Lighting Company (formerly Industrial Fuel Supply Company) covering dry gas produced under Agreement for Easement No. 338, Huntington Beach, was approved.

9. The offer of Eugene I. Gottlieb, as Attorney for Hyman Levine, one of the defendants in the Bestmi case of \$2,369.42 in full settlement of the State's claim against Mr. Levine was approved subject to confirmation by the Governor and assurance from the office of the Attorney General that the acceptance of such funds would not prejudice the rights of the State against any other defendant in the action.

10. Representatives of Beloil Corporation, Ltd., grantees under Agreement for Easement Nos. 314 and 315, Huntington Beach, after having informed the Commission they had consolidated production reports from the two wells upon verbal instructions from Mr. Vandegrift, former Director of Finance, (which fact was verified by Mr. Atherton) were instructed to furnish separate reports for each easement from February 21, 1941, the date upon which notice was given to so do with the understanding that any requirement which may exist to report the production in that manner prior to February 21, 1941 would be waived.

11. Authorization was granted to modify Agreements for Easements Nos. 409 and 410, Huntington Beach, as requested in application of the Termo Company of August 1, 1941, with respect to location of well under No. 409 and depth of well under No. 410.

12. Subject to concurrence by Standard Oil Company, authorization was given to continue the use of Bulletin TS 353 as a basis for the measurement of gas production at Rio Vista and McDonald Island.

13. After consideration of the appraisal of the area occupied by Mr. Cesa at Antioch, the Commission fixed as a reasonable annual rental the sum of \$60.00 per acre per annum and issued instructions to negotiate a lease on that basis. In addition, instructions were given to attempt to effect collection for the past use of the property in question.

14. The application of Wm. Pierce for an easement over certain tidelands at Morro Bay for the purpose of constructing a pier was considered and approval given for an easement for a period of twelve years at an annual rental of \$144.00 payable in advance.

15. The granting of an easement to the Federal Government for the purpose of laying a submarine cable across State lands extending westerly from the approximate northerly limits of the City of Coronado was approved.

16. The sum of \$160.00 received from the Southern California Telephone Company as consideration for an easement 100 feet wide across Section 36, T. 6 N., R. 11 E., S. B. M., was confirmed.

17. After considering the appraisal of 12½% made by the State Mineralogist relating to the property described as SW¼ of NE¼ and NW¼ of SE¼ of Section 16, T. 25 N., R. 7 W., M. D. M., Tehama County the bid of 5% made by A. R. Asbill was rejected.

18. On the application of Messrs. McLaughlin and Applegarth, authorization was given to invite bids for a mineral lease for the development of chromite for the property described as the E½ of Section 16, T. 25 N., R. 7 W., M. D. M., Tehama County, and instructions given to publish the following notice as required by law:

Notice is hereby given by the State Lands Commission, acting pursuant to the "State Lands Act of 1938" (Chapter 5, Statutes of California, 1938, extra session), of intention to enter into leases for the purpose of extraction of chromite upon those certain parcels of real property situate in the County of Tehama, State of California, and more particularly described as follows, to wit:

E½ of Section 16, T. 25 N., R. 7 W., M. D. M.

Each bid submitted pursuant to this notice shall be accompanied by certified or cashier's check of a responsible bank in California payable to the treasurer of the State of California in the sum of \$200.00 as a deposit of good faith. and except in the case of the successful bidder or bidders will be returned to the respective bidder. Should the successful bidder or bidders fail or refuse to execute the lease within fifteen (15) days of the award thereof by the Commission, the deposit shall be forfeited to the State of California, otherwise the amount of said deposit shall be applied upon the annual rental for the first year and the balance, if any, refunded to the lessee.

All bids made pursuant to this notice shall be addressed to the State Lands Commission, sealed and delivered to the State Lands Commission, Room 554 Business and Professions Building, Sacramento, California, on or

before 12 o'clock M of the 15th day of September, 1941. Upon the sealed envelope containing such bid shall be written "Bid of (name of bidder) made pursuant to notice of intention of the State Lands Commission to enter into lease for extraction of chromite from State lands in the County of Tehama, State of California".

Bids received pursuant to this notice will be publicly opened at 10 o'clock A. M., September 16, 1941, in Room 306 State Capitol, Sacramento, California, or at such other place, time and date, as the Commission shall determine.

Form of bid entitled "State Mineral Lease No. _____" may be obtained at the office of the Commission, Room 302 California State Building, Los Angeles, California.

The Commission reserves the right to reject any and all bids received pursuant to this notice.

19. Because of the failure of the lessees under State Mineral Leases Nos. 396 and 397 to pay delinquent rental and submit a schedule of operations, together with other data agreed upon at the last meeting of the Commission, instructions were given to cancel said leases.

20. Following a report that certain typographical errors appear in the easement heretofore granted to National Dry-Ice Corporation, the Commission authorized the correction of such discrepancies as may appear in the consideration and description.

21. The application of I. W. Parks to purchase the NW $\frac{1}{4}$ and W $\frac{1}{2}$ of SW $\frac{1}{4}$ of Section 36, T. 35 N., R. 1 W., M. D. M., Shasta County, was disallowed because it was not considered in the interests of the State to dispose of the fee interest to the property at this time, and the application of the Pacific Gas & Electric Company for an easement 8350 feet long by 350 feet wide across the property for the sum of \$630.00 was approved.

22. The issuance of an easement 120 feet wide over the E $\frac{1}{2}$ of Section 36, T. 32 S., R. 34 E., M. D. M., containing 7.43 acres to Department of Public Works was authorized.

23. The sealed bid of the Humphreys Gold Corporation was received and opened in accordance with the rules and regulations. It was found that said corporation had made a bid of ten percent for all ore at the portal of the mine, whereupon the Commission, after considering the appraisal of the State Mineralogist, authorized the execution of a lease to Humphreys Gold Corporation in accordance with the offer submitted for the property described as N $\frac{1}{2}$ of S $\frac{1}{2}$ of SW $\frac{1}{4}$ and S $\frac{1}{2}$ of N $\frac{1}{2}$ of SW $\frac{1}{4}$ of Section 36, T. 4 S., R. 5 E., M. D. M., Stanislaus County.

24. Inasmuch as the General Land Office rejected his application, authority was granted to execute Certificate of Restitution No. 284 entitling Charles Wilfred Hobson to a refund of \$150.00 paid by him for 30 acres of scrip at \$5.00 per acre.

25. Minimum price of 10.12 cents was set as the sum to be advertised for grazing lease covering Section 36, T. 36 N., R. 10 E., M. D. M., Lassen County.

26. Authority was granted to expend the sum of not to exceed \$133.00 for the purchase of county maps for use in the Sacramento office.

27. The tentative approval given the Attorney General to file a protest with the General Land Office relative to application for patents filed by the Valentine Land Company in connection with certain tidelands was confirmed.

28. Approval was given to a contract with Legislative Counsel for the employment of Lawrence Allyn for the purpose of compiling rules, regulations and forms pursuant to new statutes, in a sum not to exceed \$500.00.

Letter from the State Controller dated August 18, 1941 was read in which he advised that the sum total of \$160,00.00 should be transferred from the State Land Act Fund to the General Fund and State Park Maintenance and Acquisition Fund in percents of 70 and 30, respectively.

Upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously carried, a resolution was adopted directing the transfer from the State Lands Act Fund in accordance with the suggestion of the State Controller.

It was directed to the attention of the Commission that, at its meeting on August 16, 1940, a resolution was adopted defining the powers and duties of the Executive Officer but that said resolution was directed personally to the former incumbent rather than to the position. Upon motion of Mr. Riley, seconded by Mr. Killion, and unanimously adopted, it was resolved that the powers and duties as previously outlined should apply to the position of Executive Officer and that all acts heretofore done pursuant to said powers were confirmed.

Upon motion of Mr. Riley, seconded by Mr. Killion, a resolution was adopted that a sum not to exceed \$2,000.00 be appropriated and used subsequent to September 13, 1941, for the purpose of installing a proprietary lands index in the Sacramento office.

Pursuant to the resolution adopted by the Commission on July 24, 1941, the respective lessees were informed that they had apparently failed to meet the drilling requirements under State Oil and Gas Leases Nos. 55 and 56 as modified by the operating agreement. Upon receipt of this information, each of said lessees requested permission to present his views to the Commission. It was the contention of the lessees that although technical default may exist under each of the leases, it was not economically feasible to drill additional wells at this time, particularly in view of the large losses heretofore sustained in connection with prior drilling on the property.

After considerable discussion, upon motion of Mr. Riley, seconded by Mr. Killion, it was unanimously resolved that the previous action of the Commission in declaring the leases in default was rescinded with the understanding that such rescission should not be construed as waiving the right of the Commission to take like action in the future. The Commission directed that negotiations be carried on with the lessees and that an attempt be made to effect a settlement by obtaining a quitclaim

of each lease or substantial portion thereof or an easement under, in order that the Commission may in the future be in a position to reach possible deeper zones beyond the boundaries of the present leases if it seems desirable.

Mr. Schroeder of the Standard Oil Company and Mr. Vincent of the P. G. & E. Company appeared before the Commission and informed it that, due to the failure of the P. G. & E. Company to complete its pipe line and make connection with the so-called "State" well at Rio Vista, that Standard Oil Company had been unable to take the pro rata portion of the gas from that well which should be produced under the terms of the Agreement for Easement during the period of September 1, 1940, to March 1941, although Standard had, during that period paid to the State the amount of royalty accruing under the terms of the easement. The easement provides that any underage shall be made up within a period of six months. Following a detailed discussion of the matter, and after due consideration of the various problems which prevented the P. G. & E. Company from completing its pipe line, the Commission, on motion of Mr. Riley, seconded by Mr. Killion, unanimously resolved that the State should not invoke the provisions of said agreement for easement relating to the underage which accrued during the period stated, and that, in view of the fact that Standard had heretofore paid royalty on the gas, that it should be permitted to make up the underage within a reasonable time upon condition that the waiver of the underage provisions in relation to this matter should not be construed as a waiver nor modification of any other provisions of Agreement for Easement No. 415 nor as affecting the right of the State to enforce the provisions of the easement in regard to any underage which may accrue subsequent to March 1941.

The Commission was informed that a judgment quieting title to certain property along the Corte Madera Creek had been obtained against persons who have constructed houseboats and anchored them along the banks of that stream; that the State was not a party to that action and is, therefore, not bound by any judgment which has been entered; that as a result of the judgment, certain of the defendants contend their houseboats are in fact located on State lands; that to determine whether such is a fact it will be necessary to survey the creek to ascertain the boundaries of any property which may belong to the State.

Upon motion of Mr. Riley, seconded by Mr. Killion, it was unanimously resolved that such a survey should be made and that the Commission should appropriate the sum of \$3,000.00 to cover the expenses which would necessarily be incurred.

It was reported to the Commission that the Attorney General's office had stated it was unable to issue an opinion in regard to the Elwood leases on the basis of the data contained in the special report dated May 16th, 1941 of the Division of Budgets and Accounts, unless such data were amplified and a formal written request for an opinion received from the Commission.

Upon motion of Mr. Riley, seconded by Mr. Killion, it was unanimously resolved that any action in connection with the matters referred to in the special report should be deferred until such time as the Commission could arrange a special meeting for the purpose of studying the entire problem in detail.

It was reported to the Commission that a conference had been held with Mr. Burr A. Brown, City Attorney of Seal Beach, California, and Mr. Erickson and Mr. Smith, City Manager and City Attorney, respectively, of Long Beach, California, in regard to the proposal of J. A. Olsen and Associates to drill for oil under the tidelands fronting the City of Seal Beach. Mr. Brown stated that all of the property within the limits of Seal Beach fronting the ocean was by an initiative ordinance zoned against drilling; that a special election rescinding the ordinance would be required before Olsen et al. could acquire a permit for a drill site in that area; that Olsen had requested the City Council of Seal Beach to call a special election and had agreed if such election carried and commercial production were obtained from the well, to pay the City of Seal Beach the sum of \$25,000.00. No action was taken by the Council on this request and it was Mr. Brown's opinion that even if the matter were presented to the people, it would fail to carry. Mr. Erickson and Mr. Smith of Long Beach stated that they had been attempting to effect a program with the State Park Commission to use the State Park land immediately east of the city limits of Long Beach for the purpose of opening a channel to the Bay. They indicated that this program was now before the War Department and that in view of this situation, the City of Long Beach would be required to protest any action which the State might initiate to use State Park lands for drill sites.

The Division of Parks contends that none of its lands in the Seal Beach area is available for drill sites.

After considering this report, the Commission deferred further action pending future developments.

A report of Dr. E. K. Soper concerning the geological structure at Elwood was studied, and upon motion of Mr. Riley, seconded by Mr. Killion, a resolution was unanimously adopted authorizing necessary steps to be taken preparatory to calling for bids.

There being no further business to come before the Commission, the meeting was adjourned.